



Mexico Matters

Business News & Updates for Opportunity Seekers

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The Place Where Your Business Need to Be

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Manufacturing Heads North

The industry booms in Nuevo Leon.



Mexico has positioned itself as a main destination in the Latin America region for the manufacturing industry. While the tax rates are relatively high, and may discourage small business owners, the strong logistics infrastructure represents an appeal for manufacturers - specifically for those in the Automotive and Aerospace industries.

There's no secret for this increased production: Mexico offers production costs competitive for those in China, causing eyes to shift and re-evaluate Mexico and its stronger private consumer market, favorable demographics and forecasted economic expansion. Manufacturing has been a low-key economic driver, accounting for nearly 20% of the country's total economy value. The next years are expected to reflect even more growth for the industry, especially in the Automotive sector.

In terms of vehicular exports, despite not being a direct competitor of China, Mexico has gained a significant share of the U.S. market on account of its low

labor costs, high productivity and geographical proximity. The latest trends show a potential expansion beyond the automotive industry, bolstering exports and investment. Mexico is becoming an attractive alternative to China for foreign manufacturers and producers emphasized by the strong intellectual property laws and labor market reforms.

Nuevo Leon Leads the Way

The state of Nuevo Leon, located North-East of Mexico, is, if not the most important, one of the major contributors for the Mexican economy.

For the last quarter of 2015, Nuevo Leon grew 5.9% compared to the previous year on the same period. This meant twice the national growth, reflected in a contribution of 0.45 points to the national growth rate, surpassed only by the contribution of the capital, Mexico City.

Nuevo Leon has been dubbed as the most developed state in Mexico when it comes to the

industry. Major national and international companies have established their headquarters in the state, as proof of the attractive panorama and potential development in the region for industries that include glass, steel, packaging, metalworking, cement, ceramics, chemicals and synthetic fibers.

State Economic Indicators

Growth	5.3% (1Q, 2016)
Productivity	\$12.426 USD per hour
Jobs Created	23,876 new jobs (2Q, 2106)

For July, 2016 the manufacturing production slightly increased its physical stock, going from 52.18 pts. to 52.56 pts., driven by foreign demand and increased exports. This translated in more usage of the producing capability, but a rise in prices of raw materials, particularly energetics. Monterrey is the capital of Nuevo Leon, and without question, the center of

Knowing the Market

the economic activity in the state. Important transnational companies are established there, companies like Cervecería Moctezuma, beer producer and exporter; CEMEX, second largest cement producer; FEMSA, largest producer of bottled beverages in Latin America; Banorte, one of the strongest national banks; and Alfa, petrochemical and food company.

Business Opportunities

The costs of engineering, design and validation tests for vehicular manufacturing are 30% lower than those compared to Europe. That is why the Ministry of Economy and Labor in Nuevo Leon working with the private sector, has launched a program for Manufacture 4.0 (Automatization Manufacturing) to support the SME's that are integrating to the automotive chain. The intention is to highlight the state's exporting potential, which ascends to \$32 USD billion per annum; the automotive industry is a major contributor.

In Nuevo Leon, FDI in the automotive sector is sought since it is one of the industries that has grown more rapidly over the past few years. The state has several start-up opportunities that can be used for the Manufacture 4.0 program and Tier1 plants that are almost ready to start functioning: Nemak, Metalsa, Katcon, Quimmco. There are also processing plants available, like Ternium and the very Kia Motors; the latter counts with full integration of the manufacture 4.0 technology.

Important production and assembling plants from world-class producers like GM, Nissan and Toyota, are already established in Mexico; however, the challenge for the automotive manufacturing industry is to achieve the production of cars fully assembled by Mexican workers, particularly in the North.

The Manufacturing Industry in Nuevo Leon is undergoing a key moment where both challenges and opportunities that await the market to be fully exploited. The arrival of significant FDI to diverse industries like automotive and manufacturing, and the market share gained with the U.S. are elements that forecast an even bigger boost and growth of the state's economy. The close relation between the American and Mexican economies translates in more opportunities to attract and develop business in Nuevo Leon.

Monterrey serves as the commercial center in the North and is base for many large, international corporations, and offers four main, mature sectors appealing to foreign investors: automotive, electrics, electronic and energetic. Regardless, the opportunities for FDI can be found in more industries: aerospace, food, automotive, medical devices, appliances, renewable energies, pharmaceutical, construction, mining, textile, TI.

The *regiomontano* success comes from the discipline of the business owners, their eagerness to learn, responsibility, punctuality and support to the continuous improvement processes. The state is reaching out to foreign investment to keep boosting the inner economy, offering programs to develop the industry and incentives to strengthen the SME's.

Outstanding Features

- **Dynamism:** Nuevo Leon's economy grows at rate surpassing Mexico's average rate.
- **Importance:** produces over 21% of the manufactured exports (non-petroleum). Its annual production value overcomes that of states with higher population; the state's GDP is the second largest in the country.

- **Diversification:** thanks to the large producer base in the state, there is a highly integrated chain supply. The FDI established in Nuevo Leon has achieved incorporating up to 90% of the local supplies to their exports.
- **Leadership:** the region is a national leader in the manufacture and construction industries as well as added value services. It has over 20 branches of manufacturing.
- **Labor Force:** well-trained, productive and stable.

Business Events

Advanced Manufacturing Nov. 15 - 17, 2016 Mexico City	Trade fair that gathers over 250 leader expositors in the region to present active projects within processing, packing, automatization, advanced design and manufacturing in diverse industries.
Expo Manufactura Feb. 07 - 09, 2017 Monterrey, Nuevo Leon	Mexico's leading event for the manufacturing and metalworking industries. The expo gathers buyers and producers to meet and discuss business.
TECMA Mar. 07-10, 2017 Mexico City	Expo specialized in machinery and tools technology, with the representation of more than 80 brands and technical talks, encouraging international business cooperation.
Fabtech May 02 - 04, 2017 Monterrey, Nuevo Leon	Trade fair for manufacturing equipment aimed at those who are in charge of evaluating and purchasing new products for the metalworking industry in Mexico.